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WORKING CAPITAL FUND FOR THE BIENNIUM 1998-1999

Proposals by the Director-General

Summary

Proposes the level and authorized purposes of the Working Capital Fund for the biennium 1998-1999.

CONTENTS

		Paragraphs	*Page*
Introduction		1 - 2	2
Chapter			
I.	BIENNIUM 1996-1997	3 - 5	2
II.	PROPOSALS FOR THE BIENNIUM 1998-1999	6 - 7	2
III.	ACTION REQUIRED OF THE COMMITTEE	8	2

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Introduction

1. In accordance with financial regulation 5.4(a), the Programme and Budget Committee should recommend to the Industrial Development Board the amount and purposes of the Working Capital Fund.

2. Financial regulation 5.4(b) stipulates that "the sources of moneys for the Fund shall be advances from Members, which shall be made in the proportion of the scale of assessments established by the Conference for the contributions of Members to the regular budget. The advances shall be carried to the credit of the respective Members who made the advances".

I. BIENNIUM 1996-1997

3. In its decision GC.6/Dec.16, the General Conference decided that the level of the Working Capital Fund should be $6,750,000 and that the authorized purposes of the Fund for the 1996-1997 biennium should remain the same as those for the 1994-1995 biennium, i.e. as stipulated in Conference decision GC.2/Dec.27, paragraph (b). Accordingly, the Conference authorized the Director-General to advance from the Fund during the 1996-1997 biennium:

"(i) Such sums as might be necessary to finance budgetary appropriations pending the receipt of contributions; sums so advanced should be reimbursed as soon as receipts from contributions were available for that purpose;

"(ii) Such sums as might be necessary to finance unforeseen and extraordinary expenses, excluding expenditures intended to compensate for any losses caused by fluctuation in exchange rates; for sums so advanced, the Director-General should make provision in the budget estimates for reimbursing the Working Capital Fund."

4. Advances were made from the Working Capital Fund in December 1995 and December 1996 to provide cash resources to meet the financial obligations of the Organization in respect of commitments made under approved budgetary appropriations.

5. As of 30 June 1997, paid advances from Member States to the Working Capital Fund totalled $6,711,147. Due to advances made from the Fund, there was no cash balance at 30 June 1997. The cash situation of the Organization during the biennium has not permitted restoration of the cash balance of the Working Capital Fund. Moreover, projections of cash flow for the remainder of 1997 do not indicate the possibility of the Working Capital Fund being replenished in the near future.

II. PROPOSALS FOR THE BIENNIUM 1998-1999

6. It is proposed that the current level of the Working Capital Fund of $6,750,000 and the authorized purposes of the Fund for 1998-1999 continue to be those established by the Conference in its decision GC.2/Dec.27, paragraph (b).

7. The Director-General assumes that, for the 1998-1999 biennium, most Member States will continue to meet their obligations. However, unless there is a substantial reduction in the level of unpaid assessed contributions, the possibilities for the replenishment of the Working Capital Fund to its authorized level are limited. Restoration of the Working Capital Fund cash balance is a priority of the Organization to ensure that prudent minimum levels of cash reserves are maintained. This would allow for the further utilization of the Working Capital Fund in accordance with the approved purposes should the need arise.

III. ACTION REQUIRED OF THE COMMITTEE

8. The Committee may wish to recommend to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recommends to the General Conference that the level of the Working Capital Fund and the authorized purposes of the Fund for the 1998-1999 biennium remain the same as for the 1996-1997 biennium, i.e. as stipulated in decision GC.2/Dec.27, paragraph (b);

"(b) Urges Member States to pay their outstanding assessed contributions as soon as possible to minimize the need to withdraw sums to meet shortfalls in the payment of assessed contributions."